Eurocastle Investment Limited ("Eurocastle" or the "Company") today announced its financial results for the nine months ended 30 September 2014. Eurocastle and its consolidated investments (together with Eurocastle, the "Group") have invested primarily in Italian non-performing loans and real estate fund units, German commercial real estate and European real estate debt. The Group is Euro denominated and currently listed on Euronext Amsterdam, under the symbol "ECT". For more information regarding Eurocastle, please visit www.eurocastleinv.com.

BUSINESS AND FINANCIAL REVIEW

Strategy

The Company continues to focus its investment strategy on Italy and is targeting a wide range of real estate related products, including, but not limited to, non-performing loans ("NPLs"), real estate fund units and real estate assets. The Company may also pursue other performing and non-performing loan and receivable deals in Italy, real estate related investments (including direct and real estate-related debt investments) in other European markets, including Germany and the United Kingdom. The Company will generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation. At the same time, the Group may further invest in its legacy business to preserve or harvest value from the underlying portfolio.

Dividends

The Company has declared and paid cash dividends for the first three quarters of 2014. The amount of each quarter's dividend was €4.1 million which equated to a dividend of €0.125 per ordinary share. Since the capital raise last year, the Company has distributed €20.4 million in dividends.

New Investments

On 9 June 2014, the Group acquired 25% of the membership interest in the first series of the Fortress Italian NPL Opportunities Series Fund LLC (the "Series 1 Fund") for a total consideration of €7.4 million. The Series 1 Fund acquired the non-performing loan portfolio from Banca Monte dei Paschi di Siena ("MPS") on 27 June 2014.

On 14 July 2014, the Group acquired 25% of the membership in the second series of the Fortress Italian NPL Opportunities Series Fund LLC ("the Series II Fund") for a total consideration of €0.3m. The Series II Fund acquired the non-performing portfolio of loans from three Italian local co-operative banks affiliated with the ICCREA Group ("BCC") on 29 July 2014.This is the first investment as part of a series of transactions with the banking Group.

During the first nine months of 2014, the Company received €5.4 million of cash from the investments in the performing and non-performing loan portfolios. The fair value of the Group's investment increased by €2.2 million in the first nine months of 2014 [(1)].

(Unaudited)	Acquisition Date	Gross book value (1) €'000	Purchase price (1) €'000	No. of loans	Secured %
Palazzo portfolio	May 2013	8,102.8	4,594.2	869	100.0%
Ieffe and BAM portfolios	May 2013	3,252,804.1	9,412.5	7,290	11.7%
BNL portfolio	July 2013	6,895.9	2,632.5	86	100.0%
MPS portfolio	June 2014	883,100.0	7,357.5	11,763	19.0%
BCC portfolio	July 2014	15,287.9	312.5	843	18.0%
Total Italian Loan Portfolio		**4,166,190.7**	**24,309.2**	**20,851**	**13.6%**

		Actual (1)		Underwriting (1)	
(Unaudited)	Estimated future cashflows €'000	Life to date cashflows (2) €'000	Internal rate of return (3) %	Life to date cashflows (2) €'000	Internal rate of return (3) %
Palazzo portfolio	2,060.9	4,632.0	39.0%	3,899.5	17.1%
Ieffe and BAM portfolios	6,985.8	8,342.3	57.9%	5,725.1	19.9%
BNL portfolio	2,926.3	1,066.9	21.1%	874.2	18.4%
MPS portfolio	11,884.8	1,826.9	20.8%	1,393.4	20.7%
BCC portfolio	504.7	27.2	13.6%	27.2	13.6%
Total Italian Loan Portfolio	**24,362.5**	**15,895.3**	**39.2%**	**11,919.4**	**19.1%**

(1) The amount is shown net of minority interests

(2) Cash flows received by the portfolios from date of acquisition and excludes cash not yet distributed to the Company of €3.8 million.

(3) Effective rate represents current estimated internal rate of return given cash flows received to date and projected cash flows based on the current projections and original underwriting assumptions.

On 22 July 2014, the Group entered into a limited partnership called CF Aula SCS. The Group acquired a 50% equity interest in the partnership for a total consideration of €12.6 million. The other partner is an affiliate of the Manager who also has a 50% equity interest. The partnership has acquired 100% of the units in Torre Real Estate Fund III Value Added – Sub fund A which is managed by another affiliate of the Manager.

The fund has invested in two office buildings in Rome that will be redeveloped into luxury residential properties for resale. The redevelopment program is expected to take place over approximately three years. The first property (Via Bertoloni) will involve the demolition of the existing office building. A new residential and retail building will be constructed. The units will be sold on an individual basis. The second office building (Via Bolzano) will be converted into residential units and also sold on an individual basis.

On 28 March 2014, the Group purchased 11,929 (representing 7.46%) of the units in UniCredito Immobiliare Uno – Closed-End Real Estate Investment Fund ("UIU") for €21.3 million. The acquisition cost per unit was €1,787.50 which was a 36.5% discount to NAV of the fund. In addition, the Group incurred €1.0 million of transaction costs. UIU is a close-ended real estate fund listed on the Italian Stock Exchange. It was incorporated in 2009 and has a maturity of 31 December 2017. The fund invests in a variety of real estate across Italy which includes residential, office and commercial properties.

Split of Property portfolio as per latest Fund report at 30 June 2014 (Unaudited)	**No. of assets**	**Market value of assets €'000**	**Market value as % of total portfolio**
Office	2	236,800	48%
Residential and residential conversions	3	148,423	30%
Commercial	1	55,684	11%
Retail	8	51,637	11%
Total portfolio	**14**	**492,544**	**100%**

Existing Business - European Real Estate Debt

In January 2014, the Group sold the remaining securities in the CDO IV portfolio for an average price of 96.4% of face value. After repaying the CDO IV facility in full, the Group realised €22.5 million of cash.

In February 2014, Eurocastle Funding Limited acquired €4.0 million of the Group's own senior liabilities at a price of 51% of nominal generating a book gain of €2.0 million.

The net asset value of the portfolio increased by €3.3 million in the quarter primarily due to the recognition of gains on a paydown of a loan and receivable position and accretion income in the other positions. This was partially offset by the impairment charge of €4.5 million.

During the three months ending 30 September 2014, the Duncannon portfolio received €43.8 million of amortisation proceeds. These proceeds (together with additional available cash) were used to repay €17.3 million of senior debt and the remaining €26.5 million used to repay senior debt at the next interest payment date in December 2014. Total debt outstanding at the end of September 2014 was €230.4 million.

Since June 2009, Duncannon has failed to meet certain cashflow triggers, where compliance is generally a function of the default rate and external credit ratings of the underlying investments. As a consequence, excess interest has been mandatorily diverted to amortise senior debt. In order to meet this threshold, the value (calculated by reference to various rating agency criteria) of the assets must exceed the amount of debt senior to Eurocastle's interest by at least 5%. As at 30 September 2014, the ratio was reported at 73.2% against the required covenant level of 105%, which equates to a shortfall of €76.2 million or 31.8%. The Company does not therefore expect to receive cash flows from this portfolio in the near term.
`

The net assets of the debt business as disclosed in note 26 are shown by portfolio in the table below:

(Unaudited)	**CDO IV (1) €'000**	**Duncannon (2) €'000**	**Balance Sheet (3) €'000**	**Total Portfolio €'000**
Total assets	8,424	247,112	2,153	257,689
Total liabilities	(13)	(230,237)	(116)	(230,366)
Net assets excluding non-controlling interest	**8,411**	**16,875**	**2,037**	**27,323**

The summarised portfolio strats as at 30 September 2014 are as follows:

(Unaudited)	**CDO IV (1)**	**Duncannon (2)**	**Balance Sheet (3)**	**Total Portfolio**
Weighted average Credit Rating	D	CCC-	D	CCC-
% Investment Grade	0%	16%	0%	14%
Number of securities (4)	2	44	4	45
Debt Maturity	-	Jun 2047	-	-

(1) CDO IV represents the net assets of CDO IV PLC

(2) Duncannon represents the net assets of Duncannon CRE CDO I PLC

(3) Balance Sheet represents the net assets of Eurocastle Funding Limited

(4) The number of securities consolidates positions where multiple classes are held. The total column eliminates positions that are held in two or more portfolios.

Existing Business - German Commercial Real Estate

The Group has a number of non-recourse financing facilities which are due to reach maturity within the next 12 months at which time, the outstanding balance of the financings will become due and payable unless such financings can be extended. If proceeds from the sale of the assets which secure the relevant portfolio financing do not equal or exceed the amount outstanding under the relevant portfolio financing, the Group would be unable to repay the outstanding balance of the relevant portfolio financing when it becomes due and payable. The Group will engage in discussions with lenders in relation to the relevant portfolio financing, as they approach maturity, typically commencing such discussions three to six months prior to the relevant maturity date. Given the non-recourse nature of the financings, the Company is not obliged to utilise any additional capital to support any of the relevant portfolio financings.

In April 2014, the Senior loan of the Drive portfolio was refinanced by the lending syndicate of the Junior facility to a maturity date of 15 January 2016 with interim amortisation targets of €110.0 million in July 2014, €70.0 million in January 2015 and €35.0 million in July 2015. The Junior loan was also extended in parallel at in-place terms to the same final maturity date. Additional terms of the Senior Loan include an arrangement fee of 1.1% (equivalent to an amount of €1.6 million), interest at a rate of 3 month Euribor plus 3.1% and an additional undrawn facility of up to €20.0 million to fund capital expenditures. Excess cash flow will continue to be retained at the senior loan level until the loan is repaid in full.

Sale fees equivalent to 3.5% of gross sales proceeds will continue to be paid to the Group should it meet the repayment targets with €1.2 million released to the Company in April following the repayment of the existing Senior loan and a further €1.1 million in July. The outstanding balance reported as at 31 December 2013 of €142.3 million has since been repaid by a further €45.8 million, primarily from asset sales, resulting in a remaining balance of €96.5 million.

In April 2014, the Group agreed a short term extension of the Wave facility to end of August 2014 with an option to extend the loan a further 2 months should Eurocastle have agreed a sale of the remaining assets by the initial maturity date. As part of the terms of the extension, the loan was repaid by €38.7 million in 2014, reducing the outstanding balance to €68.1 million (equivalent to a loan to value of 60% on the remaining assets). Of the €38.7 million repaid, €29.0 million was generated from the sale of four assets. The remaining amount of €9.7 million was paid using available cash within the Group, of which €6.1m came from corporate cash and €3.6m from cash reserves held within the Wave portfolio.

Whilst negotiations with regards to a sale of the Wave portfolio are ongoing, the group has agreed terms on an 18 month facility to refinance the existing loan. To allow sufficient time to document and close the new facility, the current maturity has been extended to 28 November 2014.

In January 2014, the Group secured an amendment to the Mars Floating facility extending the December 2013 maturity for a further six months to 30 June 2014. The Company continues to benefit from running asset management and sales fees, receiving €0.6 million in the first nine months of 2014. Since the year end, one asset has been sold and the loan has been repaid by a further €8.7 million reducing the outstanding balance to €118.0 million. The remaining six assets are now under a disposal program of which three are currently under binding contracts. In order to facilitate the closure of the sales, the loan has been extended on a short-term basis to 31 December 2014. As with all of the Group's real estate financings, the debt is non-recourse to Eurocastle.

Following the maturity of the Zama portfolio facility in May 2014, one asset was sold in August repaying the outstanding balance by €8.8 million. The remaining loan of €31.0 million is currently subject to a short-term standstill pending documentation of agreed terms on a 2 year extension. As at 30 September 2014, one asset is currently under a binding sales contract with the net proceeds of €5.2 million to be used to further reduce the outstanding loan balance.

The Tannenberg portfolio loan matured in October 2014. The Group is currently in discussions with the lenders of the Tannenberg facility regarding a potential one year extension of the facility pending which a short-term standstill has been put in place.

During the nine months ended 30 September 2014 and excluding Mars Floating, the Group signed 60 commercial leases for approximately 24,545 square metres (sqm). Of the leases signed, 7,182 sqm relate to new leases. The renewal rate for the nine months ending 30 September 2014 was 80.8%. Physical occupancy was at 75.9% compared to 77.6% at the end of 2013 on a like-for-like basis. In the first nine months of 2014, the Group sold 18 properties for total sales proceeds of €116.8 million versus a carrying value of €111.8 million a loss of €5.9 million after transaction costs..

As at 30 September 2014, the NAV of the German Real Estate business excluding the Mars Floating portfolio was €107.0 million. Valuation adjustments arising from binding sales contracts and reduction in lease terms, together with capital expenditure, resulted in a fair value loss of €22.1 million. On 15 January 2014, the Bridge portfolio financing matured without any agreement on an extension or a refinancing. Following the execution of the Lender's security shares in the Company's subsidiaries holding the Bridge portfolio, these companies were transferred out of the Group. Consequently, the Group deconsolidated the Bridge portfolio with a reduction in NAV of €26.1 million.

Property Valuation Data (by Portfolio)

For 2014:

	Number of properties	Occupancy %	Lettable space (sqm)	Property valuation [1] €m	Passing Rent €m	Net operating income (NOI) [2] €m	NOI yield on valuation %
Drive	130	51.3%	281,532	443.3	23.4	16.6	3.7%
Turret	63	95.4%	141,608	165.7	14.3	12.5	7.5%
Wave	44	74.2%	108,818	114.0	8.9	6.9	6.1%
Truss	41	96.0%	81,709	90.7	8.0	6.8	7.5%
Mars Fixed 2	1	82.8%	18,498	59.8	3.7	2.5	4.2%
Belfry	27	85.7%	52,913	56.5	4.6	3.9	7.0%
Tannenberg	26	89.5%	48,683	57.8	4.9	4.1	7.1%
Superstella	18	100.0%	38,641	55.1	4.4	3.9	7.1%
Zama	7	94.8%	25,110	34.4	3.1	2.9	8.3%
Total portfolio excluding Mars	**357**	**75.9%**	**797,512**	**1,077.3**	**75.3**	**60.1**	**5.6%**
Mars Floating [3]	6	57.5%	103,757	70.8	6.7	4.3	6.1%
Total portfolio	**363**	**73.8%**	**901,269**	**1,148.1**	**82.0**	**64.4**	**5.6%**

For 2013 (on a like-for-like basis):

	Number of properties	Occupancy %	Lettable space (sqm)	Property valuation [1] €m	Passing Rent €m	Net operating income (NOI) [2] €m	NOI yield on valuation €m
Drive	130	55.3%	281,528	451.6	24.4	16.1	3.6%
Turret	63	96.2%	141,608	170.0	14.6	12.9	7.6%
Wave	44	76.4%	108,079	113.7	9.1	7.1	6.2%
Truss	41	92.9%	81,437	92.7	7.8	6.8	7.4%
Mars Fixed 2	1	86.4%	18,591	61.5	4.0	3.0	4.9%
Belfry	27	86.7%	52,900	57.3	4.7	3.9	6.7%
Tannenberg	26	90.6%	48,684	57.8	4.9	4.2	7.2%
Superstella	18	100.0%	38,641	55.2	4.4	4.0	7.3%
Zama	7	94.2%	25,110	35.3	3.0	2.7	7.6%
Total portfolio excluding Mars	**357**	**77.6%**	**796,578**	**1,095.1**	**76.9**	**60.7**	**5.5%**
Mars Floating [3]	6	55.6%	103,738	83.7	6.5	3.3	4.0%
Total portfolio	**363**	**75.1%**	**900,316**	**1,178.8**	**83.4**	**64.0**	**5.4%**

(1) Property valuation excludes the leasehold gross-ups of €25.2 million (31 December 2013: €23.1 million).

(2) Net operating income is after deducting €0.9 million (31 December 2013: €1.1 million on a like-for-like basis) of free rent. It excludes the amortisation of tenant incentives and leasing commissions, the fund costs related to the Drive portfolio and other real estate related general expenses included within property operating expenses in the consolidated income statement. It is shown here as the annualised amount at the period end.

(3) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Lease Expiry Data (by Portfolio) for 2014:

	Average lease term (years)	Passing rent [(1)] 2014 €m	2015 €m	2016 €m	2017 €m	2018 €m	2018-2023 €m	2024+ [(2)] €m
Drive	3.0	0.1	0.9	4.0	12.6	0.4	4.5	1.0
Turret	5.9	0.1	1.7	2.8	1.1	1.8	2.5	4.3
Wave	5.3	0.0	0.7	0.6	0.3	0.4	5.5	1.4
Truss	4.0	0.1	1.3	1.8	1.0	0.7	2.1	1.0
Mars Fixed 2	3.8	0.0	0.6	0.4	0.8	0.7	0.9	0.2
Belfry	4.2	0.0	0.5	0.4	0.8	1.0	1.5	0.4
Tannenberg	4.8	0.1	0.3	0.6	1.1	0.2	2.0	0.6
Superstella	7.1	0.0	0.0	0.1	0.0	0.0	4.2	0.0
Zama	3.2	0.0	0.1	0.1	2.2	0.0	0.5	0.2
Total portfolio excluding Mars Floating	**4.4**	**0.5**	**6.2**	**10.8**	**19.8**	**5.2**	**23.7**	**9.2**
Mars Floating [(3)]	3.5	0.2	0.5	1.7	0.9	0.5	2.3	0.7
Total portfolio	**4.3**	**0.6**	**6.6**	**12.4**	**20.7**	**5.7**	**26.0**	**9.9**

Lease Expiry Data (by Portfolio) for 2013 (on a like-for-like basis):

	Average lease term (years)	Passing rent [(1)] 2014 €m	2015 €m	2016 €m	2017 €m	2018 €m	2018-2023 €m	2024+ [(2)] €m
Drive	3.5	1.5	1.3	3.6	12.5	0.4	4.4	0.9
Turret	6.2	0.8	2.1	2.7	0.9	1.7	2.3	4.2
Wave	4.7	0.6	2.5	0.5	0.2	0.4	3.2	1.6
Truss	4.2	0.6	1.5	1.8	0.9	0.7	1.6	0.7
Mars Fixed 2	3.0	0.5	0.9	0.5	0.9	0.7	0.3	0.1
Belfry	3.9	0.3	0.6	0.7	0.7	0.8	1.4	0.0
Tannenberg	5.0	0.3	0.7	0.6	0.9	0.1	1.7	0.6
Superstella	7.8	0.0	0.0	0.1	0.0	0.0	4.2	0.0
Zama	3.2	0.1	0.1	0.1	2.4	0.0	0.2	0.2
Total portfolio excluding Mars Floating	**4.6**	**4.6**	**9.7**	**10.7**	**19.5**	**4.8**	**19.3**	**8.3**
Mars Floating [(3)]	3.7	0.8	0.9	1.1	0.7	0.5	1.9	0.5
Total portfolio	**4.5**	**5.4**	**10.6**	**11.8**	**20.2**	**5.3**	**21.2**	**8.8**

(1) Passing rent is defined as the contractual annual gross rental at the period end, excluding the net effects of straight lining lease incentives.

(2) Includes open-ended leases of €1.7 million for the total portfolio (€1.5 million for 2013 on a like-for-like basis).

(3) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Top 5 Tenants for 2014 (excluding Mars Floating):

Tenant name	Business sector	Passing rent €m	% of total portfolio [(1)]	Occupied square meters
Commerzbank AG	Banking	19.3	25.6%	99,463
EDEKA	Retail	10.3	13.7%	98,926
Deutsche Bank AG	Banking	6.5	8.7%	51,401
REWE	Retail	4.2	5.5%	36,168
Netto Markendiscount	Retail	4.1	5.4%	33,801
Total		**44.3**	**58.9%**	**319,759**

Top 5 Tenants for 2013 (on a like-for-like basis and excluding Mars Floating):

Tenant name	Business sector	Passing rent €m	% of total portfolio [(1)]	Occupied square meters
Commerzbank AG	Banking	20.1	26.1%	109,111
EDEKA	Retail	10.3	13.3%	98,499
Deutsche Bank AG	Banking	6.5	8.5%	51,296
REWE	Retail	4.7	6.1%	40,568
Netto Markendiscount	Retail	4.1	5.3%	33,765
Total		**45.6**	**59.3%**	**333,239**

(1) Calculated as a percentage of passing rent

Business Segments

The table below shows the summarised financial performance of the Group's business segments (excluding Mars Floating) for the nine months ended 30 September 2014. The segmental analysis disclosed in note 26 is prepared according to IFRS and includes the reconciliation of the total to the Group results.

(Unaudited)	European Real Estate Debt [1] €'000	German Real Estate [1] €'000	Italian Investments [1] €'000	Corporate [1] €'000	Total Eurocastle €'000
Revenue	11,024	71,578	45	83	82,730
Impairment losses	(15,109)	-	-	-	(15,109)
Fair value movements	-	(22,149)	2,490	-	(19,659)
Interest expense	(3,586)	(30,486)	(5)	-	(34,077)
Other operating expense	1,855	(60,972)	(1,202)	(10,837)	(71,156)
Net operating (loss) / profit before taxation	**(5,816)**	**(42,029)**	**1,328**	**(10,754)**	**(57,271)**
Taxation expense	-	(1,420)	(14)	-	(1,434)
Net operating (loss) / profit after taxation and before minority interest	**(5,816)**	**(43,449)**	**1,314**	**(10,754)**	**(58,705)**
Minority interest in Italian Investments	-	-	(355)	-	(355)
Net (loss) / profit after taxation and minority interest	**(5,816)**	**(43,449)**	**959**	**(10,754)**	**(59,060)**
Decrease in fair values of investment properties	-	23,679	-	-	23,679
FFO adjustment to Italian Investments	-	-	2,916	-	2,916
Unrealised fair market gains on Italian Investments	-	-	(2,152)	-	(2,152)
Deferred tax charge on investment properties	-	(1,346)	-	-	(1,346)
Funds from operations (FFO)	**(5,816)**	**(21,116)**	**1,723**	**(10,754)**	**(35,963)**
Net realised losses on investment property sales after sales costs and	-	2,781	-	-	2,781
(Gains) / losses on foreign currency contracts, translation and swaps	(1,363)	-	-	547	(816)
Impairment losses	15,109	-	-	-	15,109
Gain on purchase of Mezzanine debt	(1,963)	-	-	-	(1,963)
Gain on paydown of debt securities	(3,675)	-	-	-	(3,675)
Loss on sale of debt securities	407	-	-	-	407
Loss on deconsolidation of Bridge Portfolio	-	26,077	-	-	26,077
Normalisation of RE Fund Unit returns	-	-	1,801	-	1,801
Transaction costs on acquisition of UIU	-	-	1,012	-	1,012
Normalised funds from operations	**2,699**	**7,742**	**4,536**	**(10,207)**	**4,770**
Net (loss) / gain per ordinary share €	(0.18)	(1.33)	0.04	(0.33)	(1.80)
Net (loss) /gain per weighted average ordinary share €	(0.18)	(1.33)	0.04	(0.33)	(1.80)
FFO per weighted average ordinary share €	(0.18)	(0.65)	0.05	(0.33)	(1.10)
Normalised FFO per weighted ordinary share €	0.08	0.24	0.14	(0.31)	0.15

[1] Unallocated revenue and other operating expenses has been allocated between the segments based on each segment's share of net asset value.

FFO as defined represents net profit after taxation (computed in accordance with IFRS), excluding changes in the fair value of investment properties net of attributable deferred taxation, fair value changes of the Italian investments, changes in the fair value of interest rate swaps that are taken to the income statement, unrealised movements on currency swaps (net of translation gains/losses of related assets) and accounting losses on investments made with non-recourse financing to the extent they exceed the net amount invested. The Group considers the realisation of gains and losses on its investments to be a normal part of its recurring operations and therefore does not exclude such gains and losses when arriving at FFO. FFO does not represent cash generated from operating activities in accordance with IFRS and therefore should not be considered an alternative to cash flow as a measure of liquidity, and is not necessarily indicative of cash available to fund cash needs. Eurocastle's calculation of FFO may be different from the calculation used by other companies and, therefore, comparability may be limited.

Normalised FFO is a non-IFRS financial measure used to provide investors with additional information regarding the underlying performance of the Group and its ability to service debt and make capital expenditure. This measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements, and accounting adjustments related to the Mars refinancing.

The table below shows the summarised financial position of the Group's business segments for the nine months ended 30 September 2014. The segmental analysis disclosed in note 26 is prepared according to IFRS and includes the reconciliation of the total to the Group results.

(Unaudited)	European Real Estate Debt €'000	German Real Estate (2) €'000	Italian Investments (1) €'000	Corporate (1) €'000	Total Eurocastle €'000
Investments	219,279	1,097,050	48,881	-	1,365,210
Other assets (including cash)	38,410	48,976	7,328	109,840	204,554
Total assets	**257,689**	**1,146,026**	**56,209**	**109,840**	**1,569,764**
Interest-bearing debt financing	(229,952)	(935,810)	-	-	(1,165,762)
Other liabilities	(414)	(90,369)	(2,707)	(8,878)	(102,368)
Total liabilities	**(230,366)**	**(1,026,179)**	**(2,707)**	**(8,878)**	**(1,268,130)**
Segment net assets	**27,323**	**119,847**	**53,502**	**100,962**	**301,634**
Tax liability	-	(12,884)	(2)	-	(12,886)
Adjusted net assets	**27,323**	**106,963**	**53,500**	**100,962**	**288,748**
Minority interest	(2)	(4)	2,251	-	2,245
Add back net liabilities of Mars Floating Portfolio (2)	-	(45,407)	-	-	(45,407)
Net Assets	**27,321**	**61,552**	**55,751**	**100,962**	**245,586**
Adjusted net asset value per ordinary share €	0.84	3.28	1.64	3.09	8.85
Net asset value per ordinary share €	0.84	1.89	1.71	3.09	7.53
Adjusted asset value per weighted average ordinary share €	0.84	3.28	1.64	3.09	8.85
Net asset value per weighted average ordinary share €	0.84	1.89	1.71	3.09	7.53

(1) Unallocated assets and liabilities have been allocated to Italian Investments as it represents the net cash available for future investments in this segment.

(2) The negative net asset value of Mars Floating has been adjusted as this financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Forward-Looking Statements

This release contains statements that constitute forward-looking statements. Such forward-looking statements may relate to, among other things, future commitments to sell real estate and achievement of disposal targets, availability of investment and divestment opportunities, timing or certainty of completion of acquisitions and disposals, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may”, “will”, “should”, “potential”, “intend”, “expect”, “endeavour”, “seek”, “anticipate”, “estimate”, “overestimate”, “underestimate”, “believe”, “could”, “project”, “predict”, "project", “continue”, “plan”, “forecast” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Group’s ability to predict results or the actual effect of future plans or strategies is limited. Although the Group believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Group’s actual results in future periods to differ materially from forecasted results or stated expectations including the risks regarding Eurocastle’s ability to declare dividends, amortise the Group’s debts, renegotiate the Group’s credit facilities, make new investments, or achieve its targets regarding asset disposals or asset performance.

Statement of Directors' Responsibility in Respect of the Financial Statements

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Independent Auditors' Review

These consolidated interim financial statements as at 30 September 2014 and for the nine month period then ended have not been reviewed or audited by our auditors, BDO LLP.

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 5 November 2014

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2014 €'000	Nine months ended 30 September 2013 €'000
Operating income			
Interest income		7,395	11,619
Rental income		65,447	100,526
Service charge income		12,619	19,327
Loss on disposal of available for sale investments	7	(407)	-
Decrease in fair value of investment properties	15	(36,785)	(33,037)
Gains on foreign currency contracts, translation and swaps		817	777
Impairment losses	5	(15,109)	(40,202)
Fair value movements on Italian debt portfolio	9	1,863	2,611
Fair value movements in real estate fund units	10	(18)	-
Income from Joint Venture	11	379	-
Profit from Associate	12	266	-
Gain on purchase of mezzanine financing	16	1,963	-
Gain on paydowns of loans and receivables		3,675	-
Loss on deconsolidation of the Bridge Portfolio	13	(26,077)	-
Total operating income		**16,028**	**61,621**
Operating Expenses			
Interest expense		35,865	55,924
Service charge expenses		12,082	18,666
Property operating expenses		19,762	26,905
Loss on foreign currency contracts, translation and swaps		-	4
Other operating expenses	4	20,101	20,742
Total operating expenses		**87,810**	**122,241**
Net operating loss before taxation		**(71,782)**	**(60,620)**
Taxation expense / (credit) - current	3	2,828	(1,404)
Taxation (credit) / charge - deferred	3	(1,346)	1,281
Net loss after taxation		**(73,264)**	**(60,497)**
Attributable to:			
Ordinary equity holders of the Company		(73,619)	(60,972)
Non-controlling interest	9	355	475
Net loss after taxation		**(73,264)**	**(60,497)**
Loss per ordinary share			
Weighted average - basic and dilutive	19	(2.25)	(2.49)

See notes to the interim consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2014 €'000	Nine months ended 30 September 2013 €'000
Net loss after taxation		**(73,264)**	**(60,497)**
Items that may or will be reclassified to profit and loss			
Amortisation of unrealised gains/losses on available-for-sale securities reclassified to the income statement	8	6,148	5,520
Adjustment to amortisation of unrealised losses reflecting changes in expected cash flows	8	-	(1,073)
Realised losses on hedge instruments reclassified to the income statement	21	-	(621)
Net unrealised losses released to the income statement on impaired available-for-sale securities reclassified to loans and receivables	8	(3,134)	(1,353)
Amortisation of novated swaps	21	(505)	(164)
Total items that may or will be reclassified to profit and loss		**2,509**	**2,309**
Items that will not be reclassified to profit and loss			
Unrealised gain on asset backed securities, available-for-sale	7	510	10,823
Net unrealised gain on hedge instruments		2,039	4,506
Total items that will not be reclassified to profit and loss		**2,549**	**15,329**
Other comprehensive income		**5,058**	**17,638**
Total comprehensive loss for the period		**(68,206)**	**(42,859)**

See notes to the interim consolidated financial statements

There are no tax effects relating to the components disclosed in comprehensive income.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	30 September 2014 (Unaudited) €'000	31 December 2013 €'000
Assets			
Cash and cash equivalents	6	185,807	193,192
Investment properties held for sale	15	66,225	94,402
Other assets	14	16,508	32,896
Available-for-sale securities	7	231	26,879
Loans and receivables	8	219,048	316,650
Fair value investments	9	8,141	12,315
Real estate fund units	10	21,305	-
Fixture and fittings		-	4
Derivative assets		7,855	10,584
Investment property	15	1,102,190	1,628,104
Investment in Joint Ventures	11	14,867	2,173
Investment in Associates	12	6,808	-
Intangible assets		21	42
Total assets		**1,649,006**	**2,317,241**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	20	1,714,625	1,714,425
Accumulated loss		(1,485,385)	(1,399,529)
Net unrealised loss on available-for-sale securities and loans and receivables	7,8	(8,452)	(11,976)
Hedging reserve	21	664	(870)
Other reserves	20	21,888	22,088
Total shareholders' equity		**243,340**	**324,138**
Non-controlling interest		2,246	2,842
Total equity		**245,586**	**326,980**
Liabilities			
Trade and other payables	18	75,813	83,347
Current taxation payable		12,965	9,678
CDO bonds payable	16	229,952	299,912
Bank borrowings	17	1,053,777	1,561,858
Derivative liabilities		-	5,297
Finance lease payable	15	25,152	23,062
Deferred taxation liability		5,761	7,107
Total liabilities		**1,403,420**	**1,990,261**
Total equity and liabilities		**1,649,006**	**2,317,241**

See notes to the interim consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2014 €'000	Nine months ended 30 September 2013 €'000
Cash flows from operating activities			
Operating loss before taxation		(71,782)	(60,620)
Adjustments for:			
Interest income		(3,696)	(7,068)
Interest expense		31,803	52,262
Unrealised loss on foreign exchange contracts		(817)	(9)
Amortisation of discount on securities		(3,699)	(5,904)
Amortisation of borrowing costs		4,062	3,662
Amortisation of tenant incentives / leasing commissions		1,297	2,943
Realised gain on disposal of available for sale investments		407	-
Realised gain on repurchase of mezzanine financing	16	(1,963)	-
Impairment losses	5	15,109	40,202
Taxation paid		(1,125)	(1,485)
Amortisation of intangibles		28	64
Gain on paydown		(3,675)	-
Depreciation of fixtures and fittings		6	46
Decrease in fair value of investment properties	15	36,785	33,037
Increase in fair value investments	9	(1,484)	(2,611)
Increase in interest rate swaps		-	4
Income from Joint Venture	11	(379)	-
Income from Associate	12	(266)	-
Fair value loss on real estate fund units	10	18	-
Loss on deconsolidation of Bridge portfolio	13	26,077	-
Cash generated from operations		**26,706**	**54,523**
Interest received		4,495	8,059
Interest paid		(28,236)	(45,369)
Decrease / (increase) in other assets		10,669	(478)
Increase in trade and other payables		326	6,630
Net cash flows from operating activities		13,960	23,365
Cash flows from investing activities			
Capital expenditure / tenant incentives	15	(8,662)	(14,540)
Proceeds from sale of investment properties	15	128,226	221,840
Purchase of intangible assets		(7)	-
Proceeds from prepayment of available-for-sale securities		4,607	29,627
Proceeds from sale available-for-sale securities		22,201	-
Purchase of loans and receivables		0	(28,608)
Sale / prepayment of loans and receivables		96,339	35,934
Net cash impact of deconsolidation of Bridge portfolio	13	(3,757)	-
Cash collections from Italian Investments	9	4,226	5,548
Cash received from Joint Venture	11	260	-
Cash received from Associates	12	1,129	-
Net cash impact of acquisition of joint ventures	11	(12,575)	-
Net cash impact of acquisition of associates	12	(7,671)	-
Net cash impact of acquisition of fair value investments		-	(13,760)
Purchase of real estate fund units	10	(21,323)	-
Net cash flows from investing activities		202,993	236,041
Cash flows from financing activities			
Dividends paid	24	(12,238)	(4,079)
Issue of share capital net of consolidation and issuance costs		-	103,845
Repurchase of mezzanine financing	16	(2,043)	-
Repayments of bonds issued		(68,163)	(30,428)
Cash distributed to minority interests		(951)	-
Repayments of bank borrowings		(140,943)	(273,534)
Net cashflows from financing activities		(224,338)	(204,196)
Net increase in cash and cash equivalents		**(7,385)**	**55,210**
Cash and cash equivalents, beginning of period		**193,192**	**141,344**
Restricted CDO Cash, beginning of period		**-**	**20,896**
Total cash and cash equivalents, beginning of period		**193,192**	**162,240**
Cash and cash equivalents, end of period	6	**185,807**	**217,450**
Restricted CDO cash, end of period	8	**-**	**-**
Total cash and cash equivalents, end of period		**185,807**	**217,450**

See notes to the interim consolidated financial statements

Please note that dividends paid has been reclassified to financing activities. It has previously been reported in operating activities.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Unaudited)	Attributable to equity holder of the Group								
	Ordinary shares Number	Share capital €'000	Other reserves €'000	Perpetual subordinated convertible securities €'000	Net unrealised gains/ (losses) €'000	Hedging reserves €'000	Accumulated loss €'000	Non-controlling interest €'000	Total equity €'000
At 1 January 2013	**127,425,780**	**1,446,624**	**17,320**	**160,514**	**(30,548)**	**(5,507)**	**(1,296,297)**	**6**	**292,112**
(Loss) / income for the nine months	-	-	-	-	-	-	(60,972)	475	(60,497)
Other comprehensive income	-	-	-	-	13,917	3,721	-	-	17,638
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**13,917**	**3,721**	**(60,972)**	**475**	**(42,859)**
Capitalised interest on Convertible Securities issued (note 20)	-	-	-	8,208	-	-	(8,208)	-	-
Conversion of Convertible Securities to Ordinary Shares	3,398,474,717	168,722	-	(168,722)	-	-	-	-	-
Share consolidation of ordinary shares (note 20)	(3,508,270,995)	-	-	-	-	-	-	-	-
Costs in relation of consolidation of ordinary shares	-	(249)	-	-	-	-	-	-	(249)
Issue of ordinary shares (note 20)	15,000,000	108,750	-	-	-	-	-	-	108,750
Costs in relation of issue of ordinary shares	-	(4,655)		-	-	-	-	-	(4,655)
Costs in relation to issue of options following share issue	-	(4,968)	4,968	-	-	-	-	-	-
Dividend declared (note 24)	-	-	-	-	-	-	(4,079)	-	(4,079)
Acquisition of Italian Investments net of distributions	-	-	-	-	-	-	-	3,307	3,307
At 30 September 2013	**32,629,502**	**1,714,224**	**22,288**	**-**	**(16,631)**	**(1,786)**	**(1,369,556)**	**3,788**	**352,327**
(Loss) / income for the three months	-	-	-	-	-	-	(25,894)	508	(25,386)
Other comprehensive income	-	-	-	-	4,655	916	-	-	5,571
Total comprehensive (loss) / income	**-**	**-**	**-**	**-**	**4,655**	**916**	**(25,894)**	**508**	**(19,815)**
Share issued to Directors	3,000	1	-	-	-	-	-	-	1
Release of other reserve for lapsed options	-	200	(200)	-	-	-	-	-	-
Cash distributed to minority interest	-	-	-	-	-	-	-	(1,454)	(1,454)
Dividend declared (note 24)	-	-	-	-	-	-	(4,079)	-	(4,079)
At 31 December 2013	**32,632,502**	**1,714,425**	**22,088**	**-**	**(11,976)**	**(870)**	**(1,399,529)**	**2,842**	**326,980**
(Loss) / income for the nine months	-	-	-	-	-	-	(73,619)	355	(73,264)
Other comprehensive income	-	-	-	-	3,524	1,534	-	-	5,058
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**3,524**	**1,534**	**(73,619)**	**355**	**(68,206)**
Share issued to Directors	3,000	-	-	-	-	-	-	-	-
Dividends declared (note 24)	-	-	-	-	-	-	(12,237)	-	(12,237)
Cash distributed to minority interest	-	-	-	-	-	-	-	(951)	(951)
Release of other reserve for lapsed options	-	200	(200)	-	-	-	-	-	-
At 30 September 2014	**32,635,502**	**1,714,625**	**21,888**	**-**	**(8,452)**	**664**	**(1,485,385)**	**2,246**	**245,586**

1. BACKGROUND

Eurocastle Investment Limited ("Eurocastle") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange). On 3 November 2009, the Group ceased to maintain a secondary listing on the Frankfurt Stock Exchange. The activities of the Group include the investing in, financing and managing of Italian real-estate investments (including NPLs), European real estate assets and European real estate related debt.

Eurocastle is externally managed by its investment manager, FIG LLC (the "Manager"). Eurocastle has entered into a management agreement (the "Management Agreement") under which the Manager advises the Group on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Group's Board of Directors. For its services, the Manager receives an annual management fee and incentive compensation (as well as reimbursement for expenses, including expenses of certain employees providing property / asset management and finance services), as described in note 25. The Group has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting* . The consolidated financial statements are presented in Euros, the functional currency of the parent company, because the Group conducts its business predominantly in Euros. The consolidated interim financial statements represent a condensed set of financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issue by the International Accounting Standards Board ("IASB").

The interim consolidated financial statements have been prepared under the same accounting principles and methods of computation as in the financial statements as at 31 December 2013 and for the year then ended, except that the Group has adopted the following accounting policy for real estate fund units, deconsolidation of subsidiaries and investment in Associates:

Real Estate Fund Units

Real estate fund units are recorded at fair value in the consolidated balance sheet, with any change in fair value recognised in the consolidated income statement. Dividends received are recorded in the consolidated income statement. Redemptions on the units are recognised against the carrying value of the investment.

Deconsolidation of Subsidiaries

The Group deconsolidates its investment in a subsidiary when it loses control of the subsidiary. The assets and liabilities of the subsidiary are derecognised from the consolidated balance sheet and a loss associated with the loss of control attributable to the former controlling interest is recognised in consolidated income statement.

Investment in Associates

Associates are those entities in which the Group has significant influence and not control or joint control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in Associates are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investments from the date that significant influence commences.

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the nine months period ended 30 September 2014. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group.

At 30 September 2014, the Group consisted of a number of subsidiaries in Germany, Italy, Ireland, Luxembourg and the United States of America.

As a result of the Group's investment in the performing and non-performing loan portfolios in Italy (refer note 9), it has acquired subsidiaries in Italy, Luxembourg and the United States of America. The Group holds 80.66% of the member's interest in NPL Top Tier Holding LLC ("Ieffe and Palazzo") and 100% of the outstanding notes in FMIL S.á r.l. ("BAM"). The investments in the underlying loan portfolios are held through Law 130 securitisation notes.

The Group's investment in the BNL portfolio of non-performing loans is through a joint investment entity in Italy called Quintino Securitisation S.á r.l. The financial and operating decisions of this entity require joint agreement and hence is subject to joint control. The results, assets and liabilities of the joint investment entity are incorporated in these financial statements using the proportionate consolidation method. Refer to note 11.

The Group's investment in CF Aula SCS partnership is accounted for as a joint venture. CF Aula SCS is a limited liability partnership incorporated in Luxembourg. The Group owns 50% of the partnership interest. Refer to note 11.

The Group's investment in the MPS and BCC portfolios of non-performing loans is through an associate entity in Delaware called Fortress Italian NPL Opportunities Series Fund LLC and is accounted for using the equity method. Refer to note 12.

Eurocastle Funding Limited PLC ("EFL"), Eurocastle CDO IV PLC ("CDO IV"), Duncannon CRE CDO 1 PLC ("Duncannon") and FECO SUB SPV PLC ("Feco") are all limited companies incorporated in Ireland. The ordinary share capital of these vehicles is held by outside parties and the Group has no voting rights. The Group consolidates EFL, CDO IV, Duncannon and FECO as it retains control over these entities and retains the residual risks of ownership of these entities.

Following the Mars Floating financing restructuring in May 2009, the Group recognised an external liability of 50% of the adjusted amortised cost of the Mars Floating and Mars Fixed 1 portfolio company Loan Notes and Shareholder's loans invested by Eurocastle Investment Limited (EIL), while EIL's transfer of its interest in the loan notes and shareholder's loans on behalf of its Mars subsidiaries is considered to be a cost of refinancing the Mars facility and is hence capitalised and amortised over the life of the new loan facility.

As a result of the Group's transfer in May 2011 of a further 50% of its remaining interest in the shareholder's loans and equity to the Mars Fixed 1 junior lender in respect of the Mars Fixed 1 portfolio refinancing, the Group has deconsolidated its investment in the Mars Fixed 1 portfolio, and values its remaining 25% investment in the loan notes and shareholder loans using the equity method as described under IAS 28 - Investments in Associates. Under the equity method, the investment is carried in the balance sheet at cost plus post-transfer changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of the individual investments.

Financial statements of the Mars Fixed 1 portfolio are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those used by the Group. Adjustments are also made to the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates.

3. TAXATION EXPENSE

The taxation expense for the nine months ended 30 September 2014 relates to the Group's Luxembourg and German subsidiary companies. The Company is a Guernsey, Channel Islands limited company and is not subject to taxation. The Company's subsidiaries, Eurocastle Funding Limited, CDO IV PLC, Duncannon CRE CDO I PLC and FECO SUB SPV PLC, are Irish registered companies and are structured to qualify as securitisation companies under section 110 of the Taxes Consolidation Act 1997. It is envisaged that these companies will generate minimal net income for Irish income tax purposes and no provision for income taxes has been made for these companies. There are currently no tax expenses in Italy.

The deferred tax credit for the six months ended 30 September 2014 was €1.4 million, compared to a charge of €1.3 million for the nine months ended 30 September 2013.

4. OTHER OPERATING EXPENSES

(Unaudited)	Nine months ended 30 September 2014 €'000	Nine months ended 30 September 2013 €'000
Professional fees	761	988
Transaction costs on acquisition of real estate fund units	1,012	-
Sale related costs	4,618	2,987
Management fees (note 25)	4,590	8,202
Net Manager recharge	4,103	3,888
Amortisation of financing costs	3,648	2,721
Depreciation	6	46
Amortisation of intangible assets	28	64
General and administrative expenses	1,335	1,846
Total other operating expenses	**20,101**	**20,742**

5. IMPAIRMENT LOSSES

(Unaudited)	Nine months ended 30 September 2014 €'000	Nine months ended 30 September 2013 €'000
Impairment losses on loans and receivables	61	10,452
Impairment losses on real estate related loans	11,914	29,750
Realisation of previously unrealised losses on impaired loans and receivables previously held as available for sale	3,134	-
Total impairment losses	**15,109**	**40,202**

During the nine months ended 30 September 2014, the Group has recognised impairment losses on 13 securities compared to 22 securities or loans for nine months ended 30 September 2013. As at 30 September 2014, 27 securities have recognised impairment losses (31 December 2013: 29 securities).

The carrying value of the impaired securities or loans as at 30 September 2014 after the impairment losses was €98.5 million (31 December 2013: €109.6 million).

6. CASH AND CASH EQUIVALENTS

	30 September 2014 (Unaudited) €'000	31 December 2013 €'000
Corporate cash	109,677	139,086
Cash within Italian Investments	7,312	6,745
Cash within the real estate operating companies	38,910	43,255
Cash within the CDO vehicles	29,908	4,106
Total cash and cash equivalents	**185,807**	**193,192**

Cash within the real estate operating companies is held to cover interest obligations, operating expenses and other working capital. It also includes any proceeds from the disposal of investment property that has not been distributed or used to amortise bank borrowings.

The cash within the CDO vehicles is restricted to repaying CDO interest as it falls due or for repayment of debt within the CDO. The reinvestment period for Duncannon ended on 20 June 2013 and, as a consequence, principal cash flows received on its assets are now diverted to repay senior debt.

Cash within Italian Investments is held to cover distributions to the Company, operating expenses and other working capital. It includes €0.7 million which is to be distributed to the minority interests (31 December 2013: €2.5 million).

7. ASSET BACKED SECURITIES AVAILABLE-FOR-SALE

The following is a summary of the Group's available-for-sale securities at 30 September 2014 (unaudited):

	Current face amount €'000	Amortised cost base €'000	Gross unrealised losses €'000	Carrying value €'000	Weighted average Average rating(1)	Weighted average Coupon %	Weighted average Margin %	Weighted average Maturity (in years)
Other securities								
CMBS	5,779	1,005	(774)	231	D	3.04%	2.70%	-
Total portfolio	**5,779**	**1,005**	**(774)**	**231**	**D**	**3.04%**	**2.70%**	**-**

During the nine months ended 30 September 2014, Portfolio IV sold it's portfolio of asset backed securities available for sale for a total consideration of €22.2 million realising a loss of €0.4 million (nine months ended 30 September 2013: none).

The following is a summary of the Group's available-for-sale securities at 31 December 2013:

	Current face amount €'000	Amortised cost base €'000	Gross unrealised losses €'000	Carrying value €'000	Weighted average Average rating(1)	Weighted average Coupon %	Weighted average Margin %	Weighted average Maturity (in years)
Portfolio IV								
CMBS	26,385	26,286	(676)	25,609	BBB	0.96%	0.53%	2.18
Other ABS	1,205	1,205	(74)	1,131	BBB-	2.25%	2.05%	14.01
	27,590	27,491	(750)	26,740	BBB	1.01%	0.59%	2.43
Other securities								
CMBS	6,930	673	(534)	139	D	2.92%	2.70%	-
	6,930	673	(534)	139	D	2.92%	2.70%	-
Total portfolio	**34,520**	**28,164**	**(1,284)**	**26,879**	**BB+**	**1.40%**	**1.02%**	**1.94**

(1) Average ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody's Investor Services, Standard & Poor's, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security.

8. LOANS AND RECEIVABLES

The following is a summary of the Group's loans and receivables as at 30 September 2014 (unaudited):

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted Average: Average rating[(1)]	Weighted Average: Coupon[(2)] %	Weighted Average: Margin %	Weighted Average: Maturity (in years)
Portfolio IV								
Real estate related loans	12,215	12,218	(3,837)	8,381	D	0.66%	2.30%	1.72
	12,215	12,218	(3,837)	8,381	D	0.66%	2.30%	1.72
Portfolio V								
CMBS	156,244	134,772	(37,421)	97,351	CCC+	0.81%	1.77%	2.13
Other ABS	45,683	42,195	-	42,195	BB	2.64%	1.86%	5.99
Real estate related loans	151,624	151,543	(82,179)	69,364	D	0.58%	2.54%	0.82
	353,551	328,510	(119,600)	208,910	CCC-	0.95%	2.11%	2.06
Other securities								
Real estate related loans	18,146	4,455	(2,698)	1,757	D	1.33%	2.48%	0.96
	18,146	4,455	(2,698)	1,757	D	1.33%	2.48%	0.96
Total portfolio	**383,912**	**345,183**	**(126,135)**	**219,048**	**CCC-**	**0.96%**	**2.13%**	**2.04**

Restricted cash - cash to be invested	-
Total loans and receivables (including cash to be invested)	**219,048**

The following is a summary of the Group's loans and receivables as at 31 December 2013:

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted Average: Average rating[(1)]	Weighted Average: Coupon[(2)] %	Weighted Average: Margin %	Weighted Average: Maturity (in years)
Portfolio IV								
Real estate related loans	11,425	11,428	(3,801)	7,627	D	0.63%	2.30%	3.01
	11,425	11,428	(3,801)	7,627	D	0.63%	2.30%	3.01
Portfolio V								
CMBS	225,457	193,684	(35,691)	157,993	B-	1.10%	0.88%	3.40
Other ABS	44,171	40,744	-	40,744	BB	2.52%	1.84%	6.49
Real estate related loans	204,105	204,020	(94,568)	109,452	C	0.70%	2.72%	1.63
	473,733	438,448	(130,259)	308,189	CCC	1.06%	1.76%	2.93
Other securities								
Real estate related loans	17,486	3,311	(2,477)	834	D	1.24%	2.47%	0.84
	17,486	3,311	(2,477)	834	D	1.24%	2.47%	0.84
Total portfolio	**502,644**	**453,187**	**(136,537)**	**316,650**	**CCC**	**1.06%**	**1.80%**	**2.86**

Restricted cash - cash to be invested	-
Total loans and receivables (including cash to be invested)	**316,650**

(1) Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody's Investor Services, Standard & Poor's, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security.

(2) Weighted average coupon rates exclude any coupon for assets that are impaired, for which the Group does not accrue coupon interest income. The Group recognises any coupon interest received on impaired assets on a cash-received basis.

The securities within Portfolio V are encumbered by a CDO securitisation (note 16).

The movement in the impairment losses is shown below:

(Unaudited)	**2014 €'000**	**2013 €'000**
Balance as at 1 January	(136,537)	(114,775)
Reversals due to paydowns, sales and principal write-offs in the period	25,511	33,556
Losses for the period	(18,082)	(44,225)
Reversals for the period	2,973	4,023
Balance as at 30 September	**(126,135)**	**(121,421)**

Following the amendments to IAS 39 and IFRS 7, “Reclassification of Financial Assets”, the Group reclassified all available-for-sale securities within CDO V to loans and receivables. The Group identified assets, eligible under the amendments, for which at 1 July 2008 it had the intention and the ability to hold for maturity or the foreseeable future. Under IAS 39 as amended, the reclassifications were made with effect from 1 July 2008 at fair value at that date which amounted to €1.1 billion. The disclosures below detail the impact of the reclassifications to the Group.

The following table shows carrying values and fair values of the reclassified assets:

	1 July 2008 Carrying Value €'000	30 September 2014 Carrying Value (unaudited) €'000	31 December 2013 Carrying Value €'000	30 September 2014 Fair Value (unaudited) €'000	31 December 2013 Fair Value €'000
Available-for-sale securities, reclassified to loans and receivables	1,077,560	80,573	115,328	60,383	78,966

As of the reclassification date, the effective interest rate on the reclassified available-for-sale securities was approximately 12%, with expected recoverable cash flows of €1.3 billion. The effective interest rate was determined on an asset-by-asset basis.

If the reclassification had not been made, Eurocastle’s income statement for nine months ended 30 September 2014 would have included €4.3 million on the reclassified available-for-sale securities of impairment reversals, compared with impairment losses of €9.3 million after the reclassification. For the nine months ended 30 September 2014, shareholders' equity (net losses not recognised in the income statement) would have included €14.5 million of changes in unrealised fair value gains in respect of reclassified available-for-sale securities which were not impaired between 1 July 2008 and 30 September 2014.

After reclassification, the reclassified financial assets contributed the following amounts to income for the nine months ended 30 September 2014 and 30 September 2013 respectively:

(Unaudited)	Nine months ended 30 September 2014 €'000	Nine months ended 30 September 2013 €'000
Net interest income	2,758	1,832
Impairment losses on securities classified as loans and receivables	(15,109)	(10,452)
Losses available-for-sale securities reclassified to loans and receivables	**(12,351)**	**(8,620)**

As of the reclassification dates, unrealised fair value losses recorded directly in shareholders’ equity amounted to €283.3 million. This amount will be released from shareholders’ equity to the income statement on an effective interest rate basis.

After the reclassification, if the asset subsequently becomes impaired the amount recorded in shareholders’ equity relating to the impaired asset is released to the income statement at the impairment date. For the nine months ended 30 September 2014, €3.1 of unrealised fair value losses have been released to the income statement for impaired reclassified financial assets available-for-sale (nine months ended 30 September 2013: nil). Additionally, €6.1 million (nine months ended 30 September 2013: €4.4 million) of amortisation of the available-for-sale securities reserve has been released from shareholders equity as a result of the reclassification of available-for-sale securities to loans and receivables. This amortisation has not been adjusted to reflect changes in the expected cash flows (30 September 2013: €1.1 million).

At 30 September 2014, the net unrealised loss on loans and receivables was €7.7 million (31 December 2013: €10.7 million).

9. FAIR VALUE INVESTMENTS

(Unaudited)	Gross book value [1] €'000	Cost [1] €'000	Fair value €'000	No. of borrowers	Weighted average life [1] (years)	Effective rate [2] %
Non-performing loans						
Ieffe	3,279,865	3,945	1,226	5,476	1.30	125.3%
Ieffe Due	88,033	1,825	853	297	1.80	21.5%
Ieffe Tre	649,438	5,648	3,755	1,498	2.20	24.6%
BAM	12,422	203	190	19	2.85	10.8%
Total non-performing loans	**4,029,757**	**11,621**	**6,024**	**7,290**	**1.81**	**57.9%**
Performing loans						
Palazzo	10,046	5,696	2,117	869	1.29	39.0%
Total performing loans	**10,046**	**5,696**	**2,117**	**869**	**1.29**	**39.0%**
Total portfolio	**4,039,802**	**17,317**	**8,141**	**8,159**	**1.65**	**51.7%**

[1] At the acquisition date

[2] Effective rate represents current estimated internal rate of return given cash flows received to date and projected cash flows based on the original underwriting assumptions.

The movement in the fair value investments is as follows:

	2014				
(Unaudited)	Group	Minority Interest	Total Ieffe and Palazzo	BAM	Total Portfolio
Balance as at 1 January	9,799	2,350	12,149	166	12,315
Cash received within portfolios for distribution	(4,869)	(1,168)	(6,037)	-	(6,037)
Increase in fair value	1,482	355	1,837	26	1,863
Balance as at 30 September	**6,412**	**1,537**	**7,949**	**192**	**8,141**

The total of cash distributions received from the fair value investments in 2014 is €4.9 million of which €1.0 million has been paid to minorities. (2013: nil).

The non-performing loan portfolios are partly secured by residential and commercial properties, judicial mortgages and personal guarantees in Italy. The performing loan portfolio is secured by residential and commercial properties in Italy.

All the portfolios are serviced by Italfondiario S.p.A. a related party to the Manager (refer note 25).

The minority interest in the fair value of the portfolios is €2.2 million (31 December 2013: €2.8 million).

10. REAL ESTATE FUND UNITS

On 28 March 2014, the Group purchased 11,929 units in UniCredito Immobiliare Uno closed-end Real Estate Fund ("UIU") for a total consideration of €21.3 million. The acquisition price per unit was €1,787.50. The holding represents 7.46% of the total units issued by UIU with the purchase settled in cash. The units are listed on the Italian Stock Exchange. UIU has a maturity of 31 December 2017. The Group incurred transaction costs of €1.0 million in connection with the acquisition which was recorded through profit and loss.

The fair value of the investment is determined by the share price of UIU at the reporting date. As at 30 September 2014, the share price was €1,786.00.

The movement in the real estate fund units is as follows:

(Unaudited)	2014 €'000
Balance as at 1 January	-
Acquisition	21,323
Decrease in fair value	(18)
Balance as at 30 September	**21,305**

11. INVESTMENT IN JOINT VENTURES

On 22 July 2014, the Group entered into a limited partnership called CF Aula SCS ("Aula"). The Group acquired a 50% equity interest in the partnership for a total consideration of €12.6 million. The other partner is an affiliate of the Manager who also has a 50% equity interest. The partnership has acquired 100% of the units in Torre Real Estate Fund III Value Added – Sub fund A which is managed by another affiliate of the Manager.

The fund has invested in two office buildings in Rome that will be redeveloped into luxury residential properties for resale. The redevelopment program is expected to take place over approximately three years. The first property (Via Bertoloni) will involve the demolition of the existing office building. A new residential and retail building will be constructed. The units will be sold on an individual basis. The second office building (Via Bolzano) will be converted into residential units and also sold on an individual basis.

The following table summarises the consideration paid and the amounts of the share of net assets acquired recognised at 22 July 2014:

	Aula
	€'000
Total cash consideration paid	12,575
Proportional share of net assets acquired	12,575

The Group's share of the joint ventures' profits for the nine months ended 30 September 2014 are as follows:

	BNL	**Aula**	**Total**
(Unaudited)	**€'000**	**€'000**	**€'000**
Fair value movements on Italian debt portfolio	379	-	379
Profit before tax	379	-	379
Taxation	-	-	-
Profit after tax	**379**	**-**	**379**

The Group's share of the joint venture's assets and liabilities are as follows:

	BNL	**Aula**	
(Unaudited)	**€'000**	**€'000**	**Total**
Fair value investments	2,292	12,575	14,867
Cash	102	1	103
Total Assets	**2,394**	**12,576**	**14,970**
Total Liabilities	(102)	(1)	(103)

The amounts above represent the Group's 50% share of the entire assets, liabilities and net income of the joint venture. These are based on the accounts made up to 30 September 2014.

12. INVESTMENT IN ASSOCIATES

On 9 June 2014, the Group acquired 25% of the membership interest in the first series of the Fortress Italian NPL Opportunities Series Fund LLC (the "Series 1 Fund") for a total consideration of €7.4 million. The Series 1 Fund acquired the Banca Monte dei Paschi di Siena non-performing loan portfolio on 27 June 2014.

On 14 July 2014, the Group acquired 25% of the membership in the second series of the Fortress Italian NPL Opportunities Series Fund LLC (“the Series II Fund”) for a total consideration of €0.3m. The Series II Fund acquired the non-performing portfolio of loans from three Italian local co-operative banks affiliated with ICCREA Group (“BCC”) on 29 July 2014.

The net assets of the Associates at acquisition were:

	Series 1	**Series 2**	**Total**
(Unaudited)	**€'000**	**€'000**	**€'000**
Non-current assets	29,300	1,200	30,500
Current assets	130	50	180
Net Assets	**29,430**	**1,250**	**30,680**
Group's share of net assets	**7,358**	**313**	**7,671**

The following table summarises the financial information of the Associates as at 30 September 2014:

(Unaudited)	Series 1 €'000	Series 2 €'000	Total €'000
Non-current assets	26,000	1,228	27,228
Current assets	35	49	84
Current liabilities	(78)	(4)	(82)
Net Assets	**25,957**	**1,273**	**27,230**
Group's share of net assets	**6,489**	**318**	**6,808**

(Unaudited)	Series 1 €'000	Series 2 €'000	Total €'000
Operating profit for the period	1,041	23	1,064
Group's share of operating profit	**260**	**6**	**266**

The Group received €1.1 million in cash distributions from the Associates in the nine months ended 30 September 2014.

13. DECONSOLIDATION OF SUBSIDIARY

On 15 January 2014, the Bridge Portfolio financing matured without any agreement on an extension or a refinancing. Following the execution of the Lender's security shares in the Company's subsidiaries holding the Bridge portfolio, these companies were transferred out of the Group. Consequently, the Group deconsolidated the Bridge portfolio.

Prior to deconsolidation, the Group received €2.6 million of surplus cash that was consequently suspended within the portfolio pending agreement around an extension which was not ultimately reached.

The impact of the deconsolidation is as follows:

(Unaudited)	Total
Cash and cash equivalents	3,757
Other assets	4,645
Investment property	399,540
Total Assets	**407,942**
Trade and other payables	(10,413)
Current taxation payable	(161)
Bank borrowings	(371,291)
Total Liabilities	**(381,865)**
Net loss on deconsolidation	**26,077**

14. OTHER ASSETS

	As at 30 September 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Tenant incentives and leasing commission	4,830	5,598
Service charge receivable	2,009	3,766
Proceeds receivable from the disposal of investment properties	2,427	15,284
Interest receivable	542	848
Rent receivable	1,238	1,654
Prepaid expenses	892	517
Other accounts receivable	4,571	5,229
Total other assets	**16,508**	**32,896**

Service charge and rent receivables are net of a provision for doubtful debts of €3.8 million (31 December 2013: €4.6 million). All other assets are expected to mature in less than one year.

15. INVESTMENT PROPERTY

	As at 30 September 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Tenant incentives and leasing commission (included in other assets - note 14)	4,830	5,598
Investment property held for sale	66,225	94,402
Investment property	1,102,190	1,628,104
Closing balance	**1,173,245**	**1,728,104**

As at 30 September 2014, the investment property held for sale is financed by approximately €63.1 million of bank borrowings (31 December 2013: approximately €86.6 million).

The table below shows the items classified under investment property in the consolidated balance sheet (including capitalised tenant incentives and leasing commissions classified in other assets) as at 30 September 2014:

(Unaudited)	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2014	1,653,775	74,329	1,728,104
Capital expenditure	8,003	-	8,003
Tenant incentives and leasing commissions	(1,298)	-	(1,298)
Free rent	659	-	659
Disposals	(128,226)	-	(128,226)
Deconsolidation of the Bridge Portfolio	(399,303)	-	(399,303)
Decrease in minimum payments under head lease	-	2,091	2,091
Decrease in fair value	(35,045)	(1,740)	(36,785)
Balance as at 30 September 2014	**1,098,565**	**74,680**	**1,173,245**

As at 31 December 2013:

	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2013	1,953,804	76,943	2,030,747
Capital expenditure	16,498	-	16,498
Tenant incentives and leasing commissions	(3,567)	(8)	(3,575)
Free rent	26	-	26
Disposals	(270,679)	-	(270,679)
Increase in minimum payments under head lease	-	(154)	(154)
Decrease in fair value	(42,307)	(2,452)	(44,759)
Balance as at 31 December 2013	**1,653,775**	**74,329**	**1,728,104**

Investment properties are stated at fair value, which has been determined based on valuations performed by external valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of investment being valued. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgment and not only rely on historical transactional comparables. The main factors the valuers consider when determining a fair valuation are the following: passing rent, void periods, yield, relettability and marketability of properties. The fair value represents the amount at which the asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm’s-length transaction at the date of valuation, in accordance with international valuation standards.

Investment properties held for sale are stated at fair value, and are those properties that have been notarised for sale as at 30 September 2014. The gain or loss on the sale of investment property is reported in the fair value movements in the income statement.

A reconciliation of investment property valuations to the balance sheet carrying value of property (including tenant incentives and leasing commissions within other assets) is shown below:

	As at 30 September 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Investment property at market value	1,148,092	1,705,042
Minimum payments under head leases separately included in liabilities on the balance sheet	25,152	23,062
Balance sheet carrying value of investment property	**1,173,244**	**1,728,104**

The significant assumptions made relating to the valuations are set out below:

30 September 2014 (Unaudited)	**Office**	**Retail**	**Average**
Passing rent per sqm per month (€)	11.06	8.76	9.92
Market rent per sqm per month (€)	13.17	10.68	11.93
Average net initial yield	5.2%	6.1%	2.8%
Vacancy rate	37.8%	6.3%	25.1%

31 December 2013	**Office**	**Retail**	**Average**
Passing rent per sqm per month (€)	10.61	8.13	9.69
Market rent per sqm per month (€)	13.12	8.51	11.4
Average net initial yield	5.6%	6.8%	2.9%
Vacancy rate	27.3%	3.8%	20.1%

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment property:

30 September 2014 (€'million and unaudited)	**Office**	**Retail**	**Total**
Market value	723	427	1,149
Increase in yield of 25 bps	586	414	1,000
Value sensitivity	**(136)**	**(13)**	**(149)**

31 December 2013 (€'million)	**Office**	**Retail**	**Average**
Market value	1,271	434	1,705
Increase in yield of 25 bps	1,107	407	1,514
Value sensitivity	**(164)**	**(27)**	**(191)**

The Group acquired certain leasehold property that it classifies as investment property. The leases are accounted for as finance leases. Lease arrangements over the land on which the 22 investment properties are built have unexpired terms ranging from 7 years to 85 years. Most are at a fixed rental, but some contain an obligation to pay a contingent rental calculated by reference to a retail price index. The amount recognised as an expense in the nine months ended 30 September 2014 in respect of contingent rental is €2.6 million (nine months ended 30 September 2013: €0.9 million).

Additional information

The table below provides additional information for various portfolios within the Group at 30 September 2014 (unaudited):

Portfolio	Property valuation [(1)] €'000	Term financing (face amount) €'000	Other (liabilities) / assets [(2)] €'000	Net operating income [(3)] €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditure / (accrual releases) [(4)] €'000
Drive	443,275	404,934	(15,206)	16,595	3.7%	51.3%	1,782
Turret	165,675	147,556	105	12,464	7.5%	95.4%	402
Wave	114,002	68,105	(20,021)	6,933	6.1%	74.2%	995
Truss	90,730	83,793	51	6,824	7.5%	96.0%	298
Mars Fixed 2	59,820	45,541	2,140	2,516	4.2%	82.8%	2,032
Belfry	56,520	53,681	1,683	3,947	7.0%	85.7%	(38)
Superstella	55,140	54,500	675	3,910	7.1%	100.0%	115
Tannenberg	57,760	52,317	487	4,074	7.1%	89.5%	40
Zama	34,350	31,008	1,047	2,939	8.3%	94.8%	354
Total portfolio excluding Mars Floating	**1,077,272**	**941,435**	**(29,039)**	**60,202**	**5.6%**	**75.9%**	**5,980**
Mars Floating [(5)]	70,820	117,967	1,740	4,327	6.1%	57.5%	2,897
Total portfolio	**1,148,092**	**1,059,402**	**(27,299)**	**64,529**	**5.6%**	**73.8%**	**8,877**

The table below provides additional information for various portfolios within the Group at 31 December 2013:

Portfolio	Property valuation [(1)] €'000	Term financing (face amount) €'000	Other (liabilities) / assets [(2)] €'000	Net operating income [(3)] €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditure / (accrual releases) [(4)] €'000
Drive	497,209	450,732	(18,680)	18,925	3.8%	57.9%	10,112
Turret	170,005	147,556	(2,467)	12,879	7.6%	96.2%	432
Wave	145,597	131,494	(14,010)	9,031	6.2%	78.4%	905
Truss	92,700	84,430	(1,946)	6,825	7.4%	92.9%	51
Mars Fixed 2	89,290	71,603	1,997	4,685	5.2%	92.1%	1,844
Belfry	57,320	54,092	1,016	3,868	6.7%	86.7%	199
Superstella	55,140	52,960	240	4,027	7.3%	100.0%	(2)
Tannenberg	58,520	54,500	(3,260)	4,205	7.2%	90.7%	18
Zama	44,590	39,896	272	3,303	7.4%	95.2%	13
Total portfolio excluding Bridge and Mars Floating	**1,210,371**	**1,087,263**	**(36,838)**	**67,748**	**5.6%**	**78.7%**	**13,572**
Bridge	399,539	372,090	1,957	25,578	6.4%	98.4%	1,024
Mars Floating [(5)]	95,132	126,704	1,349	4,324	4.5%	59.7%	1,902
Total portfolio	**1,705,042**	**1,586,057**	**(33,532)**	**97,650**	**5.7%**	**79.9%**	**16,498**

(1) Property valuation excludes the leasehold gross-ups of €25.2 million (2013: €23.1 million)

(2) Other assets / liabilities do not include other assets and liabilities of interim holding companies and dormant portfolios

(3) Net operating income is after deducting €0.9 million of free rent (nine months ended 30 September 2013: €1.8 million). It excludes the amortisation of tenant incentives and leasing commissions, the fund costs related to the Drive portfolio and other real estate related general expenses included within property operating expenses in the consolidated income statement. It is shown here as the annualised amount at the period end.

(4) Capitalised expenditure represents actual expenditure for the nine months ended 30 September 2014 (€6.7 million) annualised for the full year.

(5) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

16. CDO BONDS PAYABLE

As at 30 September 2014 (unaudited):

	Class	Rating [1]	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity [2] (in years)
Duncannon	A, B, C1, C2, D1, D2, D3, E1, E2	B/CC/ C/C/ C/C/C/ C/C	230,383	229,952	1.34%	1.11%	3.0
Total			**230,383**	**229,952**	**1.34%**	**1.11%**	**3.0**

In the nine months ending 30 September 2014, Eurocastle Funding Limited purchased €4.0 million of Duncannon Class C1 notes at a price of 51% of nominal resulting in a gain to the Group of €2.0 million. The Group did not purchase any Duncannon notes in the nine months ended 30 September 2013.

As at 31 December 2013:

	Class	Rating [1]	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity [2] (in years)
Duncannon	A, B, C1, C2, D1, D2, D3, E1, E2	B/CC/ C/C/ C/C/C/ C/C	300,757	299,912	1.39%	0.92%	3.7
Total			**300,757**	**299,912**	**1.39%**	**0.92%**	**3.7**

(1) CDO Bonds payable are rated at the lower of S&P and Fitch

(2) The legal maturity of the portfolio is 20 June 2047

17. BANK BORROWINGS

The bank borrowings comprise:

		As at 30 September 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Term financing	(note 17.1)	1,053,777	1,561,858
Loans and notes relating to the Mars Portfolios	(note 17.2)	-	-
Total		**1,053,777**	**1,561,858**

17.1 Term Financing

Portfolios	Month raised	Current face amount €'000 As at 30 September 2014 (Unaudited)	Current face amount €'000 As at 31 December 2013	Carrying amount €'000 As at 30 September 2014 (Unaudited)	Carrying amount €'000 As at 31 December 2013	Hedged weighted average funding cost (Unaudited)	Weighted average funding cash coupon (Unaudited)	Maturity
Debt Investments								
CDO IV	Jul 2005	-	4,260	-	4,260	-	-	Dec 2014
Investment Property								
Drive - Senior	Feb 2006	96,467	142,265	94,894	141,980	4.68%	3.30%	Jan 2016
Drive - Junior	Feb 2006	308,467	308,467	305,779	307,540	3.73%	3.21%	Jan 2016
Wave (1)	Apr 2007	68,105	106,759	68,062	106,715	5.08%	3.57%	Nov 2014
Turret (2)	May 2006	147,556	147,556	147,216	147,076	4.93%	4.85%	May 2016
Truss (2)	Dec 2005	83,793	84,430	83,669	84,241	4.93%	4.85%	Feb 2016
Mars Fixed 2	Jun 2008	45,541	71,603	45,422	70,993	3.06%	2.71%	June 2015
Belfry (2)	Aug 2005	53,681	54,092	53,568	53,901	4.87%	4.66%	Oct 2015
Superstella (2)	Aug 2007	54,500	54,500	53,933	53,798	4.96%	4.91%	Nov 2017
Tannenberg (1) (2)	May 2007	52,317	52,960	52,302	52,736	4.87%	4.66%	Nov 2014
Zama (1)	Feb 2007	31,008	39,896	30,965	39,856	1.91%	1.91%	Nov 2014
Total investment property excluding Bridge and Mars Floating		**941,435**	**1,062,528**	**935,810**	**1,058,836**	**4.33%**	**3.85%**	
Bridge (3)	Oct 2006	-	372,090	-	372,058	-	-	Jan 2014
Mars Floating (1)	Jan 2007	117,967	126,704	117,967	126,704	1.82%	1.82%	Dec 2014
Total investment property		**1,059,402**	**1,561,322**	**1,053,777**	**1,557,598**	**4.05%**	**3.62%**	
Total term financing		**1,059,402**	**1,565,582**	**1,053,777**	**1,561,858**	**4.05%**	**3.62%**	
Adjustment for costs of Mars refinancing (4)				-	-			
Net total term financing				**1,053,777**	**1,561,858**			

(1) The current status of the maturity is described below.

(2) These portfolios make up the Retail portfolios.

(3) The Group deconsolidated the Bridge portfolio in January 2014. Refer note 13.

(4) Eurocastle transferred 50% of its interest in the Mars Fixed 1 and Floating portfolios to the lender and this is considered to be a cost of refinancing and is amortised over the life of the new loan facility (see note 17.2). The amortisation charge for the nine months ended 30 September 2014 was €nil (nine months ended 30 September 2013: €nil).

The cash amount of interest paid is calculated by multiplying the weighted average funding cash coupon by the current face amount on an Actual/360 basis.

The Group has sold the remaining securities in the CDO IV portfolio for an average price of 96.4% of face value and repaid the CDO IV facility in full.

In January 2014, the Group secured an amendment to the Mars Floating facility extending the December 2013 maturity for a further six months to 30 June 2014. The Company continues to benefit from running asset management and sales fees, receiving €0.6 million in the first nine months of 2014. Since the year end, one asset has been sold and the loan has been repaid by a further €8.7 million reducing the outstanding balance to €118.0 million. The remaining six assets are now under a disposal program of which three are currently under binding contracts. In order to facilitate the closure of the sales, the loan has been extended on a short-term basis to 31 December 2014. As with all of the Group's real estate financings, the debt is non-recourse to Eurocastle.

In April 2014, the Senior loan of the Drive portfolio was refinanced by the lending syndicate of the Junior facility to a maturity date of 15 January 2016 with interim amortisation targets of €110.0 million in July 2014, €70.0 million in January 2015 and €35.0 million in July 2015. The Junior loan was also extended in parallel at in-place terms to the same final maturity date. Additional terms of the Senior Loan include an arrangement fee of 1.1% (equivalent to an amount of €1.6 million), interest at a rate of 3 month Euribor plus 3.1% and an additional undrawn facility of up to €20.0 million to fund capital expenditures. Excess cash flow will continue to be retained at the senior loan level until the loan is repaid in full.

Sale fees equivalent to 3.5% of gross sales proceeds will continue to be paid to the Group should it meet the repayment targets with €1.2 million released to the Company in April following the repayment of the existing Senior loan and a further €1.1 million in July. The outstanding balance reported as at 31 December 2013 of €142.3 million has since been repaid by a further €45.8 million, primarily from asset sales, resulting in a remaining balance of €96.5 million.

In April 2014, the Group agreed a short term extension of the Wave facility to end of August 2014 with an option to extend the loan a further 2 months should Eurocastle have agreed a sale of the remaining assets by the initial maturity date. As part of the terms of the extension, the loan was repaid by €38.7 million in 2014, reducing the outstanding balance to €68.1 million (equivalent to a loan to value of 60% on the remaining assets). Of the €38.7 million repaid, €29.0 million was generated from the sale of four assets. The remaining amount of €9.7 million was paid using available cash within the Group, of which €6.1m came from corporate cash and €3.6m from cash reserves held within the Wave portfolio.

Whilst negotiations with regards to a sale of the Wave portfolio are ongoing, the group has agreed terms on an 18 month facility to refinance the existing loan. To allow sufficient time to document and close the new facility, the current maturity has been extended to 28 November 2014.

Following the maturity of the Zama portfolio facility in May 2014, one asset was sold in August repaying the outstanding balance by €8.8 million. The remaining loan of €31.0 million is currently subject to a short-term standstill pending documentation of agreed terms on a 2 year extension. As at 30 September 2014, one asset is currently under a binding sales contract with the net proceeds of €5.2 million to be used to further reduce the outstanding loan balance.

The Tannenberg portfolio loan matured in October 2014. The Group is currently in discussions with the lenders of the Tannenberg facility regarding a potential one year extension of the facility pending which a short-term standstill has been put in place.

17.2 Loans and notes relating to Mars Portfolio

	As at 30 September 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Within Mars Floating Portfolio		
Loan notes and Shareholder Loans	333,166	312,516
Less: Remeasurement adjustment to amortised cost	(378,001)	(342,280)
Adjusted amortised cost	(44,835)	(29,764)
Transfer of 50% of the adjusted amortised cost to the lender	**-**	**-**

In consideration of the extension of the Mars Floating facility, the Group agreed to transfer to the Mars Floating lender half of its equity investment in the combined Mars portfolios. This transfer was legally affected on 27 May 2009 and comprised the transfer of Loan Notes and Shareholder's Loans relating to the lender's financing of the portfolios. The terms and conditions of the loan notes and shareholder loans provide that the holders will receive interest and principal only to the extent that sufficient funds are generated from the underlying investment properties. The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments.

18. TRADE AND OTHER PAYABLES

	As at 30 September 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Security deposit	3,517	3,978
Interest payable	27,056	24,791
Due to Manager (note 25)	2,059	2,139
Capex accruals	2,954	4,676
Accrued expenses and other payables	40,227	47,763
Total trade and other payables	**75,813**	**83,347**

All trade and other payables are expected to mature in less than one year.

19. LOSS PER SHARE

Basic earnings per share is calculated by dividing net loss after taxation by the weighted average number of ordinary shares outstanding during the year.

The Group’s potential ordinary shares during the year were the share options issued under its share option plan (refer to note 20). There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statements other than those described in note 20 which would have a dilutive effect as at 30 September 2014. The exercise of the share options would have a dilutive effect based on the average share price during which the share options were in issue.

	As at 30 September 2014 (Unaudited)	As at 31 December 2013
Weighted average number of shares	32,633,349	26,506,716
Dilutive effect of ordinary share options	9,754	74,895
Weighted average number of shares - dilutive	**32,643,102**	**26,581,611**

20. SHARE CAPITAL AND RESERVES

Share Capital

As at 30 September 2014, there were 32,635,502 shares (31 December 2013: 32,632,502) issued and outstanding. On 20 June 2014, the Company issued 3,000 shares to the Directors per their in-place compensation arrangements for €nil consideration.

Under the Company's Articles of Incorporation, the Directors have the authority to effect the issuance of additional ordinary shares or to create new classes of shares as they deem necessary.

Other reserves

Other reserves represent the fair value at the grant date of unexercised share options, granted to the Manager in June 2004, June 2005, January 2006, December 2006 and May 2013. The terms of the options are set out in note 30 of the Notes to the Consolidated Financial Statements in the 2013 Annual Report. Movement in the number of share options and the related average exercise prices are as follows:

Date of grant	Options remaining at 1 January 2014	Exercised	Lapsed	Options remaining at 30 September 2014	Fair value at grant date €'000	Exercise price [1] €	Date of expiration
23 Jun 2004	3,003	-	(3,003)	-	-	2,400.00	23 Jun 2014
24 Jun 2005	2,521	-	-	2,521	620	3,450.00	24 Jun 2015
27 Jan 2006	3,956	-	-	3,956	4,800	3,600.00	27 Jan 2016
27 Jan 2006	6,101	-	-	6,101	2,100	6,000.00	27 Jan 2016
1 Dec 2006	8,829	-	-	8,829	9,400	7,400.00	1 Dec 2016
30 May 2013	1,500,000	-	-	1,500,000	4,968	7.25	30 May 2023
Total	**1,524,410**	**-**	**(3,003)**	**1,521,407**	**21,888**		

[1] The exercise price of the historic options has been restated following the share consolidation in the ratio 200:1.

21. HEDGE ACCOUNTING

The Group's policy is to hedge its exposure to interest rates and foreign currencies on a case-by-case basis. Hedge accounting is applied to cash flow and fair value hedges of interest rate risk exposures. Interest rate swaps under which the Group pays a fixed rate and receives a floating rate have been used to hedge the interest rate risk on floating rate long-term bank borrowings. Interest rate swaps where the Group pays a fixed rate and receives a floating rate have been used to hedge the fair value of the loans and receivable assets in Feco. This facility was settled in 2013.

At 30 September 2014, cumulative unrealised gains on hedge instruments were €0.7 million (31 December 2013: losses of €0.8 million). The cumulative unrealised gains comprise the gain in value of the novated swaps of €0.7 million (31 December 2013: €1.6 million) and the fair value loss of the interest rate swaps of nil (31 December 2013: €6.3 million).

The gain or loss on measurement of the fair value of the interest rate swaps has been recognised in the statement of comprehensive income to the extent that the swaps are effective, while gains and losses related to fair value hedges have been recognised in the income statement.

22. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

	As at 30 September 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Convertible securities issued	-	99,750
Accrued interest	-	83,441
Capitalised issue costs	-	(1,200)
Convertible securities converted into ordinary shares	-	(181,991)
Total	**-**	**-**

Please refer to the 2013 Annual Report information regarding the change in terms of the convertible securities.

23. FINANCIAL INSTRUMENTS

The Group's debt investments are generally financed long-term, with 95% of the debt investment portfolio benefiting from financing maturing beyond the maturity date of the debt investments, and their credit status is continuously monitored.

The Group's investment property portfolio was generally financed at acquisition with long-term, fixed rate, non-recourse financing.

The status of the refinancing is disclosed in note 17.1

As at 30 September 2014 (Unaudited)

Type	Total outstanding at 30 September 2014 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	185,807	185,807	-	-
Interest receivable [(1)]	542	3,855	6,307	1,191
Asset backed securities, available-for-sale	231	231	-	-
Loans and receivables (includes cash to be invested)	219,048	20,099	169,600	29,349
Fair value investments	8,141	2,290	5,851	-
Real estate fund units	21,305	-	21,305	-
Derivative assets [(2)]	7,855	-	4,148	3,707
Total assets	**442,929**	**212,282**	**207,211**	**34,247**
Liabilities				
Interest payable [(1)]	27,056	45,975	20,594	-
CDO bonds payable	229,952	-	229,952	-
Bank borrowings	1,053,777	314,718	739,059	-
Finance leases payable [(3)]	25,152	1,046	4,043	20,063
Total liabilities	**1,335,937**	**361,739**	**993,648**	**20,063**

(1) Interest receivable and payable reflects the interest receivable and payable over the weighted average life of the assets and financing.

(2) Derivative assets reflect the cash flows over the remaining life of the assets.

(3) Finance leases payable represent all lease payments due over the lives of the leases.

Gross settled derivatives	Total outstanding at 30 September 2014 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(47,329)	(31)	(23,880)	(23,418)
Contractual amounts receivable	55,184	31	28,028	27,125
Total undiscounted gross settled derivatives outflow	**7,855**	**-**	**4,148**	**3,707**

Maturities and mandatory amortisation

Portfolio (€m)	**2014**	**2015**	**2016**	**2017**	**Total**
Non recourse					
Drive - Senior	-	-	96.5	-	96.5
Drive - Junior	-	-	308.5	-	308.5
Turret	-	-	147.6	-	147.6
Wave	68.1	-	-	-	68.1
Truss	0.2	0.9	82.7	-	83.8
Mars Fixed 2	-	45.5	-	-	45.5
Belfry	0.1	53.5	-	-	53.6
Superstella	-	-	-	54.5	54.5
Tannenberg (1)	52.3	-	-	-	52.3
Zama (1)	31.0	-	-	-	31.0
Real estate portfolio excluding Mars Floating	**151.7**	**99.9**	**635.3**	**54.5**	**941.3**
Mars Floating	118.0	-	-	-	118.0
Total	**269.7**	**99.9**	**635.3**	**54.5**	**1,059.3**

(1) The portfolios have been shown with the maturity date as per the latest extensions agreed at the date of reporting.

As at 31 December 2013

Type	**Total outstanding at 31 December 2013 €'000**	**Within 1 year €'000**	**1 to 5 years €'000**	**Over 5 years €'000**
Assets				
Cash and cash equivalents	193,192	193,192	-	-
Interest receivable (1)	848	5,588	11,822	1,901
Asset backed securities, available-for-sale	26,879	4,734	21,015	1,130
Loans and receivables (includes cash to be invested)	316,650	71,584	185,988	59,078
Fair value investments	12,315	3,841	8,468	6
Derivative assets (2)	10,584	23	5,369	5,192
Total assets	**560,468**	**278,962**	**232,662**	**67,307**
Liabilities				
Interest payable (1)	24,791	54,503	23,701	-
Derivative liabilities (2)	5,297	5,297	-	-
CDO bonds payable	299,912	-	-	299,912
Bank borrowings	1,561,858	1,223,904	337,954	-
Finance leases payable (3)	23,062	1,030	3,897	18,135
Total liabilities	**1,914,920**	**1,284,734**	**365,552**	**318,047**

(1) Interest receivable and payable reflects the interest receivable and payable over the weighted average life of the assets and financing.

(2) Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.

(3) Finance leases payable represent all lease payments due over the lives of the leases.

Gross settled derivatives

	Total outstanding at 31 December 2013 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(57,387)	(12,830)	(22,376)	(22,181)
Contractual amounts receivable	64,713	9594	27,744	27,375
Total undiscounted gross settled derivatives inflow	**7,326**	**(3,236)**	**5,368**	**5,194**

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reported in the financial statements excluding trade and other receivables and payables, and current liabilities whose carrying value is equal to fair value due to the short period before settlement.

	Unaudited as at 30 September 2014 Carrying Value €'000	As at 31 December 2013 Carrying Value €'000	Unaudited as at 30 September 2014 Fair Value €'000	As at 31 December 2013 Fair Value €'000
Financial assets				
Cash and cash equivalents	185,807	193,192	185,807	193,192
Asset back securities, available-for-sale	231	26,879	231	26,879
Loans and receivables (including cash to be invested)	219,048	316,650	117,822	192,919
Fair value investments	8,141	12,315	8,141	12,315
Real estate fund units	21,305	-	21,305	-
Derivative assets	7,855	10,584	7,855	10,584
Financial liabilities				
CDO bonds payable	229,952	299,912	150,160	165,276
Bank borrowings	1,053,777	1,561,858	1,078,137	1,634,341
Finance lease payable	25,152	23,062	25,152	23,062
Derivative liabilities	-	5,297	-	5,297

24. DIVIDENDS PAID AND DECLARED

The following dividends were declared and paid for the six months ended 30 September 2014 (30 September 2013: €4.1 million):

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share	Amount €'000
1 April 2014	7 April 2014	9 April 2014	30 April 2014	€0.125	4,079
20 June 2014	30 June 2014	2 July 2014	31 July 2014	€0.125	4,079
25 September 2014	1 October 2014	3 October 2014	31 October 2014	€0.125	4,079
Total					**12,237**

25. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

With effect from 28 February 2013, an amendment agreement between the Group and Manager was entered into in relation to the original agreement. The agreed amendments took effect on 12 April 2013 to (i) reduce the amount payable by Eurocastle to the Manager as annual management fee by resetting the capital base upon which such fee is calculated from an amount equal to aggregate equity proceeds raised to €300 million plus an amount equal to the proceeds of any future issue of equity share capital; and (ii) similarly reset the capital base upon which the Manager's entitlement to incentive compensation is calculated; in both cases, in respect of the period commencing 1 April 2013.

To provide an incentive for the Manager to enhance the value of the Group's ordinary shares, the Manager is entitled to receive incentive compensation on a cumulative, but not compounding, basis (but not subject to clawback) in an amount equal to the product of (A) 25% of the Euro amount by which (1) funds from operations ("FFO") of the Group before the incentive compensation per ordinary share, exceeds (2) an amount equal to (a) the weighted average of the price per ordinary share in any offerings by the Group (adjusted for any prior capital dividends or distributions) multiplied by (b) a simple interest rate of 8% per annum multiplied by (B) the weighted average number of ordinary shares outstanding during such period.

At 30 September 2014, management fees, incentive fees and expense reimbursements of approximately €2.1 million (31 December 2013: €2.1 million) were due to the Manager. For the nine months ended 30 September 2014 management fees of €4.6 million (30 September 2013: €8.2 million), no incentive fees (30 September 2013: €nil), and expense reimbursements of €4.1 million (30 September 2013: €3.9 million).

Total annual remuneration for Eurocastle directors is €0.1 million payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Group.

As a result of the investment in Italian performing and non-performing loans, the Group is party to various servicing agreements with Italfondario S.p.A. (“Italfondario”) which is majority owned by an affiliate of the Manager. The terms of the agreements have been approved by the Independent Directors. Italfondario will provide portfolio servicing, cash management and corporate services as part of the agreements in return for an agreed fee. The fee is made up of a fixed annual amount, a percentage of the outstanding portfolio balance as well as a percentage of the amount collected. The total fee paid in the nine months ending 30 September 2014 was €1.1 million (nine months ending 30 September 2013: €1.4 million). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 30 September 2014.

The Group's joint investment in the BNL portfolio is with a credit fund managed by the Manager. The purchase price and operating expenses were shared evenly between the two parties; as are all current and expected returns.

The Group purchased a minority interest in the UIU real-estate fund (refer note 10). The fund is managed by Torre SGR S.p.A which is majority owned by an affiliate of the Manager.

The Group’s joint venture investment in Redbrick (refer note 11) is managed by Torre S.p.A which is majority owned by an affiliate of the Manager. The total fee expense for the nine months ended 30 September 2014 are €0.1 million, of which €0.1 million is outstanding at 30 September 2014.

The Group's investment in the MPS portfolio (refer note 12) was through a shared interest in a fund which is managed by an affiliate of the Manager. The total fee expense for the nine months ended 30 September 2014 is €0.1 million which is set-off against the Group Management Fee payable to the Manager.

The Group’s joint venture investment in Redbrick (refer note 9) is managed by Torre S.p.A which is majority owned by an affiliate of the Manager. The total fee expense for the nine months ended 30 September 2014 is €0.1 million.

26. SEGMENTAL REPORTING

The Group operates in one geographical segment, being Europe. The Group is organised into three business units and conducts business through three primary segments: debt investments (relating to the Irish entities that it consolidates under IAS 27), German investment properties and Italian investments. The debt investments consist of investments in European real estate related debt. The investment properties segment includes investing in, financing and management of high-quality German commercial properties. The Italian Investments are made up of non-performing and performing loan portfolios.

The debt investment segment derives its income primarily from interest and accretion on the available-for-sale securities and loans and receivables.

The investment properties segment derives its income primarily from rental income and service charge income.

The Italian investments segment derives its income from loan collection, fair value movements in real estate funds.

Segment assets for the debt investment segment include available-for-sale securities and loans and receivables. Segment assets for the investment properties segment represent investment properties (including investment properties held for sale). Segment assets for the Italian investments represent the loan portfolios.

Segment liabilities for the debt investment segment include CDO bonds payable. Bank borrowings are included as segment liabilities within the investment properties segment.

Summary financial data of the Group's business segments is provided below:

Nine months ended 30 September 2014 (unaudited)	**European Real Estate Debt €'000**	**German Commercial Real Estate €'000**	**Italian Investments €'000**	**Unallocated €'000**	**Total Adjusted Eurocastle €'000**	**Mars Floating and Minorities €'000**	**Total Eurocastle €'000**
Revenue[(1)]	11,024	71,578	45	83	82,730	6,406	**89,136**
Impairment losses	(15,109)	-	-	-	(15,109)	-	**(15,109)**
Other operating income / (loss)	2,920	(48,226)	2,490	(547)	(43,363)	(14,636)	**(57,999)**
Total operating (loss) / income	**(1,165)**	**23,352**	**2,535**	**(464)**	**24,258**	**(8,230)**	**16,028**
Interest expense	(3,586)	(30,486)	(5)	-	(34,077)	(1,789)	**(35,866)**
Other expense	(1,065)	(34,895)	(1,202)	(10,290)	(47,452)	(4,492)	**(51,944)**
Total operating expenses	**(4,651)**	**(65,381)**	**(1,207)**	**(10,290)**	**(81,529)**	**(6,281)**	**(87,810)**
Net operating (loss) / profit	**(5,816)**	**(42,029)**	**1,328**	**(10,754)**	**(57,271)**	**(14,511)**	**(71,782)**
Taxation expense	-	(1,420)	(14)	-	(1,434)	(48)	**(1,482)**
Net (loss) / profit after taxation	**(5,816)**	**(43,449)**	**1,314**	**(10,754)**	**(58,705)**	**(14,559)**	**(73,264)**
Minority interest	-	-	-	-	-	(355)	**(355)**
Net (loss) / profit after minority interest	**(5,816)**	**(43,449)**	**1,314**	**(10,754)**	**(58,705)**	**(14,914)**	**(73,619)**
Movement in fair values	-	21,569	764	-	22,333	14,636	**36,969**
Realised gains on sale	-	2,111	-	-	2,111	(303)	**1,808**
Deferred tax	-	(1,346)	-	-	(1,346)	-	**(1,346)**
Funds from operations	**(5,816)**	**(21,115)**	**2,078**	**(10,754)**	**(35,607)**	**(581)**	**(36,188)**

(1) Included within revenue income is interest income of €8.7 million within the debt investment segment and €0.1 million within the investment properties segment.

Nine months ended 30 September 2013 (unaudited)	**European Real Estate Debt €'000**	**German Commercial Real Estate €'000**	**Italian Investments €'000**	**Unallocated €'000**	**Total Adjusted Eurocastle €'000**	**Bridge, Mars Floating and Minorities €'000**	**Total Eurocastle €'000**
Revenue[(1)]	11,587	97,325	-	32	108,944	21,868	130,812
Impairment losses	(40,202)	-	-	-	(40,202)	-	(40,202)
Other operating (loss) / income	1,072	(16,394)	2,611	(68)	(12,779)	(16,214)	(28,993)
Total operating (loss) / income	**(27,543)**	**80,931**	**2,611**	**(36)**	**55,963**	**5,654**	**61,617**
Interest expense	(4,021)	(41,498)	(1)	-	(45,520)	(10,404)	(55,924)
Other expense	(1,639)	(44,243)	(25)	(13,017)	(58,924)	(7,389)	(66,313)
Total operating expenses	**(5,660)**	**(85,741)**	**(26)**	**(13,017)**	**(104,444)**	**(17,793)**	**(122,237)**
Net operating (loss) / profit	**(33,203)**	**(4,810)**	**2,585**	**(13,053)**	**(48,481)**	**(12,139)**	**(60,620)**
Taxation expense	-	(2,271)	(7)	2,194	(84)	207	123
Net (loss) / profit after taxation	**(33,203)**	**(7,081)**	**2,578**	**(10,859)**	**(48,565)**	**(11,932)**	**(60,497)**
Minority interest	-	-	-	-	-	(475)	**(475)**
Net (loss) / profit after minority interest	**(33,203)**	**(7,081)**	**2,578**	**(10,859)**	**(48,565)**	**(12,407)**	**(60,972)**
Movement in fair values	4	20,867	(1,050)	-	19,821	14,810	34,631
Realised gains on sale	-	-	-	-	-	-	-
Deferred tax	-	1,281	-	-	1,281	-	1,281
Funds from operations	**(33,199)**	**15,067**	**1,528**	**(10,859)**	**(27,463)**	**2,403**	**(25,060)**

(1) Included within revenue income is interest income of €10.3 million within the debt investment segment and €0.1 million within the investment properties segment.

Segmental Balance Sheet:

As at 30 September 2014 (unaudited)	**European Real Estate Debt €'000**	**German Commercial Real Estate €'000**	**Italian Investments €'000**	**Unallocated €'000**	**Total Adjusted Eurocastle €'000**	**Mars Floating and Minorities €'000**	**Total Eurocastle €'000**
Total assets	257,689	1,146,026	56,209	109,840	1,569,764	76,995	**1,646,759**
Total liabilities	(230,366)	(1,026,179)	(2,707)	(8,878)	(1,268,130)	(122,323)	**(1,390,453)**
Segment net assets / (liabilities)	**27,323**	**119,847**	**53,502**	**100,962**	**301,634**	**(45,328)**	**256,306**
Tax liability	-	(12,884)	(2)	-	(12,886)	(79)	**(12,965)**
Non-controlling interest	(2)	(4)	-	-	(6)	2,251	**2,245**
Net assets / (liabilities)	**27,321**	**106,959**	**53,500**	**100,962**	**288,742**	**(43,156)**	**245,586**

As at 31 December 2013	**European Real Estate Debt €'000**	**German Commercial Real Estate €'000**	**Italian Investments €'000**	**Unallocated €'000**	**Total Adjusted Eurocastle €'000**	**Bridge, Mars Floating and Minorities €'000**	**Total Eurocastle €'000**
Total assets	359,171	1,289,629	17,984	140,313	1,807,097	506,844	**2,313,941**
Total liabilities	(307,925)	(1,147,334)	(3,882)	(10,163)	(1,469,304)	(510,821)	**(1,980,125)**
Segment net assets / (liabilities)	**51,246**	**142,295**	**14,102**	**130,150**	**337,793**	**(3,977)**	**333,816**
Tax liability	(1)	(9,434)	-	-	(9,435)	(243)	**(9,678)**
Non-controlling interest	(2)	(4)	-	-	(6)	2,848	**2,842**
Net assets / (liabilities)	**51,243**	**132,857**	**14,102**	**130,150**	**328,352**	**(1,372)**	**326,980**

Segmental Cashflows:

Nine months ended 30 September 2014 (unaudited)	**European Real Estate Debt €'000**	**German Commercial Real Estate €'000**	**Italian Investments €'000**	**Unallocated €'000**	**Total Adjusted Eurocastle €'000**	**Mars Floating and Minorities €'000**	**Total Eurocastle €'000**
Cashflows from operating activities	1,943	(5,824)	(783)	(10,754)	(15,418)	29,378	**13,960**
Cashflows from investing activities	123,147	136,713	(35,954)	(7)	223,899	(20,906)	**202,993**
Cashflows from financing activities	(99,288)	(138,256)	37,304	(16,048)	(216,288)	(8,050)	**(224,338)**
Net increase / (decrease) in cash and cash equivalents	**25,802**	**(7,367)**	**567**	**(26,809)**	**(7,807)**	**422**	**(7,385)**

Nine months ended 30 September 2013 (unaudited)	**European Real Estate Debt €'000**	**German Commercial Real Estate €'000**	**Italian Investments €'000**	**Unallocated €'000**	**Total Adjusted Eurocastle €'000**	**Bridge, Mars Floating and Minorities €'000**	**Total Eurocastle €'000**
Cashflows from operating activities	2,583	58,814	5,522	(17,133)	49,786	(24,952)	**24,834**
Cashflows from investing activities	36,953	181,927	(13,760)	-	205,120	25,373	**230,493**
Cashflows from financing activities	(30,428)	(229,823)	103,845	-	(156,406)	(43,711)	**(200,117)**
Net increase / (decrease) in cash and cash equivalents	**9,108**	**10,918**	**95,607**	**(17,133)**	**98,500**	**(43,290)**	**55,210**

27. SUBSEQUENT EVENTS

Following the end of the third quarter, the Group has completed approximately 1,679 sqm of new leases and 2,641 sqm of renewals. A further 6,828 sqm of new leases and 18,508 sqm of renewals are currently under negotiation. Excluding the Mars Floating portfolio, the Group has approximately 5,240 sqm of new leases and 15,067 sqm of renewals under negotiation. Of the 18,508 sqm of renewals under negotiations, approximately 8,422 sqm are early renewals in the Retail portfolios.

The Group has sold a further 3 properties subsequent to year-end for €20.5 million generating €0.5 million of fees to the Company, and has entered into binding agreements to sell a further 2 properties for estimated total sale proceeds of €10.0 million. Once completed, these properties are expected to generate €0.1 million of fees to the Company.

On 29 October 2014, the Group made an additional investment of €0.2 million into the Fortress Italian NPL Opportunities Series Fund LLC Series 2. This investment will be used by the Fund to acquire another NPL portfolio from BCC (refer note 12).

28. COMMITMENTS

As at 30 September 2014, the Company has entered into a letter of comfort for a term of eighteen months with respect to an asset sale in its subsidiaries. The letter of comfort relates to warranties and documentation regarding the sold asset. The maximum exposure at the reporting date is €6.0 million.

As at 30 September 2014, the Company has entered into a joint venture agreement with an asset manager. The agreement provides a put and call option to both parties for the purchase of approximately €11.3 million of Italian real estate fund units. The options expire on 31 January 2015.

As at 31 December 2013, there were no commitments.